

RICHMOND TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Richmond Township DDA	County Osceola
Audit Date 3/31/04	Opinion Date 8/26/04	Date Accountant Report Submitted to State: 9/24/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

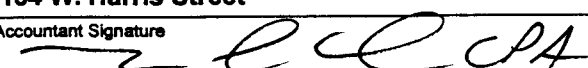
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 9/23/04	

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGES</u>
Independent Auditors' Report		1
<u>FINANCIAL STATEMENTS</u>		
Statement of Assets and Liabilities Arising from		
Cash Transactions	A	2
Statement of Cash Receipts, Disbursements, and		
Changes in Balance	B	3
Statement of Cash Receipts, Disbursements, and		
Changes in Balance - Budget and Actual	C	4
Notes to Financial Statements		5-9
<u>OTHER INFORMATION</u>		
Letter of Comments and Recommendations		10
Letter of Reportable Conditions		11-12

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

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MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

INDEPENDENT AUDITORS' REPORT

To the Board
Richmond Township Downtown Development Authority
Richmond Township
Reed City, Michigan

We have audited the accompanying financial statements of the Richmond Township Downtown Development Authority (A Component Unit of Richmond Township) as of and for the year ended March 31, 2004, as listed in the table of contents. These component unit financial statements are the responsibility of the management of the Richmond Township DDA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B., the DDA's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Richmond Township Downtown Development Authority as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for in the year then ended on the basis of accounting described in Note I.B.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Money Market	\$ 148,275
Taxes Receivable	<u>11,128</u>
TOTAL ASSETS	\$ <u>159,403</u>

LIABILITIES AND BALANCELIABILITIES

Deferred Revenue	\$ 11,128
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BALANCE

Unreserved	<u>148,275</u>
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TOTAL LIABILITIES AND BALANCE	\$ <u>159,403</u>
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RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Taxes

2002 Tax Roll

\$ 42,578

2003 Tax Roll

\$ 107,045

Interest Earnings

64,467	960

Total Receipts

\$ 108,005

DISBURSEMENTS

Economic Development

38

Excess of Receipts over Disbursements

\$ 107,967

BALANCE - April 1, 2003

40,308

BALANCE - March 31, 2004

148,275

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes			
Current Property Tax			
2002 Tax Roll	\$ 0	\$ 42,578	\$ 42,578
2003 Tax Roll	52,389	64,467	12,078
Interest and Rents			
Interest Earnings	725	960	235
Total Receipts	\$ 53,114	\$ 108,005	\$ 54,891
<u>DISBURSEMENTS</u>			
Economic Development			
Office Expense	\$ 300	\$ 38	\$ 262
Printing and Publishing	100	0	100
Contingency	20,000	0	20,000
Total Disbursements	20,400	38	20,362
Excess of Receipts Over (Under) Disbursements	\$ 32,714	\$ 107,967	\$ 75,253
<u>BALANCE - April 1, 2003</u>	40,357	40,308	(49)
<u>BALANCE - March 31, 2004</u>	\$ 73,071	\$ 148,275	\$ 75,204

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Richmond Township Downtown Development Authority was established through a Township Ordinance under Act No. 197 of the Public Acts of Michigan of 1975. The Township Board determined that it was necessary and in the best interest of the Township to halt property value deterioration and increase property tax valuation where possible in the DDA District, to eliminate the causes, and to promote economic growth.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Downtown Development Authority are organized on the basis of a fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The DDA is a governmental fund. Governmental funds are used to account for the DDA's general government activities. The DDA uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is another comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed. Governmental funds include the following fund type:

General Fund is the DDA's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

It is the policy of Richmond Township DDA to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Authority and comply with all state statutes governing the investment of public funds.

The Richmond Township DDA's Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Richmond Township DDA Board at the Board's organizational meeting after each regular election of officers.

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

3. Inventory

Inventories held by the Downtown Development Authority are not considered material and are not included in these financial statements.

4. Use of Estimates

This presentation of financial statements in conformity with the modified cash basis of accounting requires the DDA to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

5. Individual Fund Statements

The financial statements present only the Downtown Development Authority and are not intended to present the financial position of Richmond Township.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Richmond Township Downtown Development Authority follows these procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. Prior to March 31, the Authority prepares an operating budget for the fiscal year.
2. After review, the Board formally adopts the budget. The budget is then transmitted to the Township Board

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

3. The Authority is charged with general supervision of the budget and monitors the budget, making amendments when it is deemed necessary.
4. The budget is adopted on the modified cash basis of accounting.
5. Budgeted amounts are as originally adopted on January 8, 2003, or as amended by the Budget Committee at various times throughout the year.
6. Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Richmond Downtown Development Authority because it is, at present, not considered necessary to assure effective budgetary control or facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A total of \$48,275 of the DDA's \$148,275 of total bank investments and deposits are in an account which exceeds Federal depositing insurance and are uncollateralized. The remaining \$100,000 of bank deposits and investments is fully insured. The Richmond Township Downtown Development Authority has all bank deposits in Chemical Bank West, Cadillac, Michigan.

IV. OTHER INFORMATION

A. Property Taxes

Each year, following the final equalization of property values in the District, the Township Assessor prepares the tax increment assessment roll. The tax increment assessment roll shows the initial assessed value of each parcel of property within the District and the amount by which the current assessed value as finally equalized for all taxable property in the District exceeds the initial assessed value of the property (the "captured assessed value"). Copies of the annual tax increment assessment roll are transmitted by the Assessor to the Township Treasurer, the County Treasurer, the Authority and the Treasurer of each of the taxing jurisdictions within the District, together with a notice that it has been prepared in accordance with this Ordinance and the Plan. The Township Treasurer and the County Treasurer, as ad valorem and specific taxes are collected on the property in the District, pay that proportion of the taxes, except for penalties and collection fees, that the captured assessed value bears to the initial assessed value to the Treasurer of the Authority for deposit in the Fund. The payments are made by the date or dates on which the Township Treasurer and the County Treasurer are required to remit taxes to each of the taxing jurisdictions.

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

For the 2003 tax roll, the Authority's property tax revenue was computed as follows:

		Regular Tax Roll	IFT Tax Roll	Total
2003 Taxable Value of District		\$ 19,360,910	\$ 1,501,695	\$ 20,862,605
Base Year Taxable Value of District		13,642,865	0	13,642,865
Captured Value		\$ 5,718,045	\$ 1,501,695	\$ 7,219,740
Millages Captured				
County Allocated	9.1661			
Township	0.9549	10.1210	5.0605	
2003 Property Tax Levy		\$ 57,862	\$ 7,599	\$ 65,461
Less Current Taxes Receivable March 31, 2004		(994)	0	(994)
2003 Current Property Tax Revenue		\$ 56,868	\$ 7,599	\$ 64,467

The 2002 Property Taxes belonging to the Downtown Development Authority were also received in the year ended March 31, 2004.

Taxes Receivable includes:

2002 Tax Roll Property Taxes	\$ 10,134
2003 Delinquent Personal Property Taxes	994
	<u>\$ 11,128</u>

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and interest expense is as follows for the Richmond Township Downtown Development Authority:

Interest Income	\$ 960
Interest Expense	\$ 0

RICHMOND TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Richmond Township)
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

C. Risk Management

The DDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The DDA, through Richmond Township, participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required.

The DDA also through Richmond Township carries insurance for other risks of loss, including workers' compensation insurance and fidelity bonds.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Board
Richmond Township Downtown Development Authority
Richmond Township
Reed City, Michigan

As a result of our audit of the financial statements of the Richmond Township Downtown Development Authority for the year ended March 31, 2004, we have the following comments:

Investment Policy

Public Act of 196 of 1997 became effective on December 30, 1997. The law requires the policy to provide a statement of purpose, a delegation of authority to make investments, a list of authorized investment instruments, and to provide procedures for safekeeping of assets. We recommend that the Downtown Development Authority review Public Act 196 and adopt a formal investment policy that agrees with the Richmond Township Policy.

General Recordkeeping

The accounting records being maintained by the Treasurer were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the Treasurer for his cooperation.

If you have any questions relative to the above comments and recommendations or other areas or your annual accounting, please feel free to call on us.

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CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

LETTER OF REPORTABLE CONDITIONS

To the Board
Richmond Township Downtown Development Authority
Richmond Township
Reed City, Michigan

In planning and performing our audit of the general-purpose financial statements of the Richmond Township Downtown Development Authority (A Component Unit of Richmond Township) for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Richmond Township Downtown Development Authority and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and all others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.